

INFORMATION REPORT FORM

CENTRAL INTELLIGENCE AGENCY

This material contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

S-E-C-R-E-T

25X1

COUNTRY

Yugoslavia

REPORT

SUBJECT

Foreign and Domestic Situation

DATE DISTR.

16 September 1955

25X1

NO. OF PAGES

8

DATE OF INFO.

REQUIREMENT

25X1

PLACE ACQUIRED

REFERENCES

DATE ACQUIRED

This is UNEVALUATED Information

25X1

SOURCE EVALUATIONS ARE DEFINITIVE

The Foreign Orientation of Yugoslavia

25X1

1. Position in the Balance of Power: One theme is constantly emphasized at meetings of the Federation of Communists of Yugoslavia (FCY) when Yugoslavia's role in the global power structure is brought up, and that is that Yugoslavia is and should remain neutral. This is a position that could change only because of an aggressive action against Yugoslavia. In any armed conflict, Yugoslavia stands only to lose, no matter what the outcome.
- a. Desired Relationship to the USSR, Satellites, China: It was not the Yugoslav leaders who worked toward an alienation of relations with the USSR and the Cominform states. The clash occurred because of purely personal feelings between Tito and his adjutants and the Stalinist system. Tito was simply too outstanding a person for the monolithic Communist world to digest; for his part, resistance was necessary for survival. The Yugoslav leaders would accept with alacrity a solution that would make amends with Moscow while preserving their independent power and way of living. As for the Satellites and China, the relationship will in any case be patterned on that with the USSR. In practice, Tito and his followers realize that their power depends on the degree to which they can resist Soviet

S-E-C-R-E-T

25X1

STATE	EV	ARMY	X	NAVY	X	AIR	X	FBI		AEC		OCI	EV	
-------	----	------	---	------	---	-----	---	-----	--	-----	--	-----	----	--

(Note: Washington distribution indicated by "X"; Field distribution by "#")

S-E-C-R-E-T

25X1

encroachment; for that reason, every action on the part of Moscow, friendly or unfriendly, must be given careful scrutiny. Since the Yugoslav leaders know full well that their personal interest requires that Moscow's tentacles not be allowed to envelop them, they will avoid all possible exposure.

- b. Desired Relationship to Western Powers: The Yugoslav leaders see their present relations with the West as an abnormal situation, made exigent by the need to survive. The means of implementation is easily explained: to obtain all the material possible from the West while not altering their ideological and political objectives in any respect. This attitude is applied to all the Western Powers including the United States. In fact, it would be easier for Yugoslavia to make accommodations with the European countries, with their socialist outlook, than with the United States. Even this, of course, could not come about unless Yugoslavia were receiving material help in an amount considered adequate. The Yugoslav leaders, as true Communists, regard the United States as the embodiment of their ideological arch-foe, capitalism.

25X1

In closed Party meetings and in private a favorite pastime is still the criticism of the Western countries, with the United States the butt of most jokes. Criticism of the West in the Yugoslav press serves to soothe those hardened Communists who cannot think of the USSR as other than the mother country.

2. Probable Course of Action in the Event of War: Just as in the case of the cold war, the Yugoslav leaders see neutrality as the most profitable course of action in the event of a hot war, even if the scene of disturbance is the Balkans. A war localized in the Balkans is inconceivable, in any case, without the consent of the USSR. Bulgaria could not wage war alone whether Yugoslavia takes part or not. To go to war against the Bulgarian aggressor would be to go to war against the USSR, and this Yugoslavia will never do. If Yugoslavia's obligations under the Balkan Pact come into conflict with the interests of the USSR, Yugoslavia will not fulfill those obligations. A war against the USSR is unthinkable, since the continuation of a Communist regime in Yugoslavia is dependent on the preservation of the Communist system elsewhere. Yugoslavia is opposed ideologically and politically to any joint planning with NATO in the military field. This attitude, however, would become more flexible if Yugoslavia felt itself to be threatened imminently from the East. For the time being, the Yugoslav leaders prefer to reject the possibility of Communist states warring among themselves, as opposed to Marxist doctrine.

25X1

3. Prospects for Development of the Communist System: The differences between Yugoslavia and the Cominform countries, as has been stated, did not have their source in Marxist doctrine. Neither side yields to the other in professed adherence to Marxism-Leninism. Since the differences derive from personal rivalries, and since the Yugoslav leaders must withstand Soviet interference, the Yugoslav leaders believe that they have no quarrel with other Communist states and that there is no reason why they should not have friendly relations. From the Soviet standpoint, so long as the present regime in Yugoslavia cannot be replaced by a more tractable regime, the present government is preferable to any conceivable replacement of a non-Communist variety. The Soviets have to be careful lest in trying to upset Tito they bring on a regime that is even worse, i.e. non-Communist. The death of Stalin made the establishment of a

S-E-C-R-E-T

25X1

S-E-C-R-E-T

25X1

spirit of co-existence much easier. During the visit of Soviet leaders to Belgrade, the Soviets made the admission that conditions differ from one country to another and that the Communist system can justifiably be modified to fit the prevailing conditions. In a way, this admission confirmed the dogma "any Communism is better than no Communism at all." The ideological bond between Moscow and Belgrade was never affected by the disagreements in the political domain. The Yugoslav leaders do not expect their regime to follow the Soviet pattern, inasmuch as the Soviet system came into being under different circumstances, has operated in practice over a period of years, and as the senior member of the family has acquired tremendous prestige, particularly in Asia. Yugoslav Communism, on the other hand, has not produced spectacular results, and its continuance is contingent on help received from the capitalist West.

4. Yugoslavia in Relation to the Neutralist States: It is erroneous to believe that Yugoslavia is striving for the leadership of the non-committed countries. Yugoslavia is much too small a country for such a role- its importance has already been stressed out of proportion to reality. Yugoslavia's recent drives

25X1

were caused by the need to obtain foreign exchange in order to improve its chronic imbalance of payments. The ideological and political justifications that have been advanced were used only as trappings. The trappings were in themselves important, as they tended to portray Yugoslavia as a less dangerous partner in business with the underdeveloped countries in comparison with the great powers; the importance being that Yugoslavia could thus counter-vail the political pressures that powerful nations are able to bring to bear in international trade. In dealing with great powers, small powers know full well that any material aid they receive will be paid for through political concessions; whereas Yugoslavia, by espousing peace and self-determination, is able to deal with the pride of small nations while exacting preferential treatment for itself. If world tensions are relaxed somewhat, that too is no less in Yugoslav eyes, since they regard peace as the prerequisite for their existence. The touchstone of Yugoslav foreign trade is this: to obtain foreign exchange by whatever means possible.

25X1

5. Attitude toward the Balkan Pact: The fundamental attitude prevailing in Communist Party circles toward the Balkan Pact is one of distrust and dislike. This dislike stems from the fact that the Balkan Pact appears to be only another link to NATO and, as such, merely a tool of the West. Politically speaking, the Balkan Pact is strictly an alliance against Bulgaria. But since Bulgaria is not independent, it would be impossible for it to become involved in any war without the aid and support of the USSR. If an isolated war with Bulgaria were to break out, which is inconceivable, only then might Yugoslavia abide by the Pact, hoping to gain Pirin Macedonia. If, as is more likely, a war with Bulgaria were to imply hostility with the USSR, Yugoslavia would never honor its obligations under the Pact. This has been freely discussed at meetings and it has been made quite clear at these meetings that it was never Yugoslavia's idea to become involved in a military and political alliance with the West, which they consider the Balkan Pact to be, and that they agreed to the Pact only with the aim of furthering their economic relations

25X1

It would seem now that the Yugoslavs are remaining within the alliance with the idea of possibly serving the USSR at a later date if such a move would be likewise beneficial to Yugoslavia.

S-E-C-R-E-T

25X1

S-E-C-R-E-T

25X1

6.

25X1

Cohesiveness of Regime at Top Level

7. Tito's Status as Leader: Tito's status as a leader is well established and unquestionable. He is popular not only with the officers and enlisted men of the Army, whose careers are closely bound to his fortunes, but also with the non-Communist population who look upon him as a benevolent leader. Policy-making responsibilities are divided as follows: Tito and the Politbureau are responsible for the Party line and for policy in general; although Tito has a powerful voice in any decision that is made, he does not make that decision alone. On the other hand, Tito is the undisputed head of the Army with General Gornjak being only the administrative head. In economic affairs, Vukmanovic-Tempo and Milentije Popovic are the men responsible for decisions regarding policy; while in the field of foreign affairs, Kardelj, with Koca Popovic carrying out his orders, is the leading figure. Kardelj, as the next man to Tito in the Party hierarchy, will probably be Tito's successor upon the death of the latter.
8. Dissension over Decentralization Program: The main dissenter over the decentralization program was allegedly Blagoje Meskovic who advocated a rigid Party control over the country, along the lines laid down by the USSR. Tito himself is considered to be an adherent of a more liberal policy; while Kardelj, Vukmanovic-Tempo and Peter Stambolic represent the militant approach. In any event, at the top level there are no real followers of the ideas of Milovan Djilas, although allegedly Tito has always regarded him favorably.
9. Factions over Relations with the West and East: At the top level there does not appear to be any difference of opinion in regard to Yugoslavia's relations with either the West or the East. Toward the West, the established line is to get as much material aid as possible without conceding anything in return. As long as this can be done, the Yugoslavs will follow this line. However, if it ever became a question of Yugoslavia orienting itself ideologically and politically toward the West, then the leaders of Yugoslavia would prefer to refuse all aid. This is also true of Yugoslavia's accepted policy toward the East, i.e. Yugoslavia would like to normalize its relations with the East, but if this meant interference by the USSR in Yugoslavia's internal affairs, then Yugoslavia would prefer to remain a stepchild in the Communist orbit. This derives from the fact that the Yugoslav leaders are fearful for their jobs. Kardelj in particular would oppose any rapprochement with the USSR which might endanger his accepted position as the ideological leader and authority of the Yugoslav Communist Party. In any event, Yugoslavia feels that at the present time the only safe course for its existence is a balance, however precarious, between the East and the West.

S-E-C-R-E-T

25X1

S-E-C-R-E-T

25X1

10. Possible Correlation between Yugoslavia's Foreign and Domestic Policy:
There does not appear to be any correlation between Yugoslavia's domestic and foreign policies. The impelling necessity of securing foreign currency from the West, while at the same time preserving its ideological integrity with the East, does not interfere with Yugoslav decisions in regard to internal policy.
11. Nationality Differences:

a. Federal Level. The top level leaders are convinced that they have resolved the nationality problem which existed in Yugoslavia. While the Central Committee of the Party still adheres strictly to the nationality keys in its composition, there is no problem in this respect. Throughout the Party mechanism, with the possible exception of certain individuals at the lower level, there is no manifestation of nationality conflict. Moreover, among the non-Communist people in Yugoslavia, nationality hatreds have largely subsided. When an occasional outbreak does occur, the authorities are quick to punish the individuals involved. Admittedly, in the economic field there are occasional preferences shown to certain nationalities, such as the industrial favoritism shown to Bosnia and Slovenia. But these preferences are dictated by economic necessity rather than by local or nationality interests. In this regard, Franc Leskosek definitely gives the impression that he would never show preference to the Slovenes to the detriment of other nationalities. It is true, of course, that the right of nationality has been retained in Bosnia-Herzegovina where everyone is free to consider himself Serb, Croat, Moslem, etcetera. However this is true only because of economic reasons and it is probable the time will come when this republic will be abolished and then partitioned among Serbia, Croatia and Montenegro.

b. Local Level. There exist no strongmen in the republics of Yugoslavia today; control is exercised rather by virtue of the positions held by the republics' leaders in the Central Committee of the Federal Party. Such men as Vladimir Bakarić and Petar Stambolić are well known, not because of the strength they command within their republics, but simply because they are the leaders of the largest and most important republics. There is no question of their ever opposing the federal organization. Other leaders on the Republic level may be characterized as follows:

- 1) Lazar Kolisevski (Macedonia) is the least important of all republican leaders and is not allowed to go abroad.
- 2) Petar Stambolić is not at all popular in Serbia because of his rude and aloof attitude. It is difficult for a person of minor importance to even approach him.
- 3) In Montenegro Balša Jovanović is very popular with the people; he mingles freely with the crowd and displays a friendly attitude when associating with the common man.
- 4) Avdo Humo (Bosnia-Herzegovina) is well-liked, but he is a scholarly person and not too interested in politics. Because of this, Djuro Pucar maintains a more prominent position in the Bosnian government.
- 5) Miha Marinko (Slovenia) [] has been out-ranked to a great extent by Leskosek, not to mention Kardelj.

25X1

S-E-C-R-E-T

25X1

S-E-C-R-E-T

25X1

12. Pro-Cominformism in the Regime:

- a. When the break between the Cominform and Yugoslavia occurred, Tito and his followers had nothing to fear from the non-Communists within the country because (with the possible exception of the Montenegrins) they were known to be notoriously anti-Soviet and more afraid of the USSR than of the Yugoslav Communist Party. As for the Cominformists, within three months after the break, all Party organizations put before their members the question of loyalty to Stalin or Tito. A definite answer had to be given and discussions regarding ideological questions concerned with the break were not allowed. The result was that those persons who stated their loyalty was to Stalin, as well as those persons who seemed to hesitate before answering, were expelled from the Party, then imprisoned, sent to "reform" camps or, in some cases, put to death. Moreover, the Party took this opportunity to rid itself of those members who, although not Cominformists, did not follow the line now dictated by the Yugoslav leaders in power. The same applied to non-Party members who presented any problem to the regime. There was no organized resistance to this purge. It is true, of course, that many of the non-adherents to the regime, upon signing a certificate wherein they admitted their error of thinking and pledged their loyalty to the present regime, were released after 1953. Despite their release, however, the UDB has seen to it that these persons were never integrated into the regime and were never allowed to occupy responsible positions.
- b. By utilizing the break with the Cominform, the regime was able to rid itself of undesirable elements within the Party ranks and, at the same time, by exploiting the Cominform danger (which existed only in the minds of foreigners of Western origin), was also able to obtain material aid from the West without making any concessions. The regime was also aware that the Soviets would not retaliate militarily for fear of provoking the United States into counteraction, and that they also would not attempt to dislodge Tito because in so doing they would destroy the Communist regime in Yugoslavia altogether.
- c. In any event, since the recent Soviet visit to Belgrade, the remaining Cominformists have lost their moral case as orthodox Communists and, at least for the time being, their political importance. Thus, Tito and his followers are no longer concerned with the problem of the Cominformists who were never a real strength in Yugoslavia. It is evident today that Communists throughout Yugoslavia owe their positions to Tito and will thus rise or fall with him.

13. Yugoslav View toward the Present Economic Situation.a. Balance of Payments Problem:

- 1) The Central Committee is seriously worried about the balance of payments problem, especially in regard to the negative foreign balance. Additional difficulty has arisen in the impossibility of increasing basic guaranteed wages for the salaried classes. Tito's expectations of straightening out the payment balance in 1955 have not materialized, and the prospects of their materializing are not too bright. Yugoslavia does not even have the technical equipment necessary to finish those projects now under construction, e.g., the construction of the copper plant in Majdanpek and

S-E-C-R-E-T

25X1

S-E-C-R-E-T

25X1

the iron plant in Skoplje have had to be postponed, as well as the construction of several hydro-electric power plants in Crvena Voda, Kekin Brod, et cetera. Furthermore, as previously mentioned, Yugoslavia's hopes for acquiring vital equipment through renewed business relations have not materialized

- 2) It is becoming increasingly more evident that Yugoslavia cannot maintain its economy for any length of time with improvisations and short-range solutions to the problem. One effort toward alleviating the impending crisis has been the enforcement of reparation payments

25X1

In any case, the Yugoslav leaders hope to continue receiving aid from the West for an indefinite period of time. They hope to extend this aid in the form of compensation enterprises and from the credits obtained thereby, they expect to improve their bad situation.

25X1

- 3) At this point it is mere speculation as to how renewed trade with the East will alleviate the basic payments problem. Thus far, Yugoslavia has been a competitor of the Soviet Bloc in the Near and Middle Eastern markets. If an agreement between Yugoslavia and the Eastern Bloc can be reached on these markets, then Yugoslavia's amount of trade with the Eastern Bloc will be considerably influenced. At the present time, however, Yugoslavia is seeking to increase her trade volume with both the East and the West and is willing to export goods to whoever will buy them.

14. The Agricultural Outlook in Yugoslavia: Since early agricultural planning failed and in fact proved to be detrimental to the agricultural program, the Communist leaders in Yugoslavia have had to switch to a more liberal and elastic attitude, by which they hope to obtain better results. In December 1954 a 10-year project for improvement and development of agriculture and livestock was inaugurated. The project plans, at least at present, to increase the food output by giving the peasants more freedom and individual initiative. While socialization of agriculture remains the final goal of the Government, for the moment it is felt that less stringent measures are called for and the Yugoslavs do not intend to follow prematurely the Soviet system of agriculture. The regime, however, does want to mechanize the agricultural sector considerably and so, by granting credit for this undertaking is actually favoring collectivization, although some thought is also being given the aiding the individual peasants. The Minister for electro-economy for Serbia, Mica Jovanovic has displayed a plan which envisages the extensive granting of credit to agricultural enterprises which indicates that the regime will return to compulsory collectivization as soon as the time is ripe.

15. Maladministration and Misplanning in Yugoslav Economic Operations.

- a. Maladministration, waste of resources, and misplanning represent a permanent headache to the leadership of Yugoslavia. The favoritism shown to old Party members and the summary dismissal of non-Communist experts in the economic field have left behind indelible traces. The effects of this are now being felt in the economic field, and the regime is coping with the problem by placing post war qualified personnel in technical positions and gradually ridding these offices of any incompetent personnel remaining.

S-E-C-R-E-T

25X1

S-E-C-R-E-T

25X1

- b. As regards planning, it was first thought that decentralization would promote more initiative and thus local organizations were given this responsibility. It was thus expected that the law of supply and demand would automatically reach an equilibrium. As this did not occur, planning was taken from the local organizations and once more given to the central government. Production is again being controlled in the republics and this control is exercised from the Economic Committee of the Federal Executive Council down to the republics, districts and cities. There has been much waste and irrational production because of maladministration and poor methods. Because of this, the regime has devised a system whereby workers exceeding a certain norm receive a premium in the form of material bonuses.

25X1

S-E-C-R-E-T

25X1